



County of Los Angeles
Department of Public Social Services

Bryce Yokomizo
Director

July 30, 2002

TO: Each Supervisor

Handwritten signature/initials

FROM: Bryce Yokomizo, Director

SUBJECT: FY 2001-02 YEAR END CLOSING

This is to advise you of a cash flow problem associated with Stage 1 Child Care contracts that has just been brought to my attention, which will negatively impact my Department's FY 2001-02 Year End Closing. Although my staff have not yet completed the preparation of our 4th quarter County Expense Claim, we estimate that we will end the year with a \$28.4 million deficit in net County cost.

This deficit is attributable to advances made to the Stage 1 Child Care Alternate Payment Providers (APPs) in accordance with contractual requirements. Contract provisions require one or more advances in recognition of the APPs non-profit status and in order to enable them to meet their payment obligations to child care providers. These advances are essentially interest-free loans to the APPs and my Department cannot claim these advances until they are repaid. Per the contracts, repayment of the advances is not required until three months prior to the end of the contract term. At that time, we will experience an offsetting budget surplus since we will draw revenue with no corresponding expenditures, as payments that would otherwise have been made to the APPs will not be made to recover the amount of the advances.

I regret that this information was not clearly explained in the Board letter approved by your Board on December 12, 2000. I will ensure that future Board letters fully disclose the fiscal impact of the recommended action. In addition, I have reinforced my notification expectations with staff and am confident that any future budget problems will be brought to my attention immediately so that I can properly notify your Board and the Chief Administrative Office.

Please call me if you need additional information, or your staff may contact Susan Kerr at (562) 908-8633.

BY:sk

JUL 31 2002

c: Chief Administrative Officer
Auditor-Controller
County Counsel